

United States General Accounting Office

GAO

Statement for the Record

Subcommittee on Government Management, Information
and Technology

Committee on Government Reform

House of Representatives

For Release on
Monday, December 4, 2000
10:00 a.m. EST

PRESIDENTIAL
TRANSITION

Challenges and
Opportunities

Statement of David M. Walker
Comptroller General of the United States



DISTRIBUTION STATEMENT A

Approved for Public Release

Distribution Unlimited

20001214 011



G A O

*Accountability * Integrity * Reliability*

Mr. Chairman and Members of the Subcommittee:

I am pleased to provide this statement for the hearing record on the Presidential Transition Act. The purpose of the Transition Act is to promote the orderly transfer of executive power during presidential transitions. Of course, no one expected the extraordinary events that have unfolded over the last several weeks. No matter how the presidential election ultimately is resolved, one thing is certain—the severely truncated time now available for the transition will pose a significant challenge to the new administration.

My statement today will focus on five key themes that deserve the early and consistent attention of the next administration. Attention to these themes will help the new administration successfully implement its agenda and address both long-standing and newly emerging management, fiscal, and other challenges that confront the federal government. These five themes are:

- Focus on management issues early.
- Build on progress already made in implementing a management framework.
- Construct organizational approaches that recognize the reality of changing global and technological dynamics.
- Seize the opportunity to reassess what government does and how it does it.
- Make decisions with an eye toward known long-term fiscal and policy challenges.

As you know, Mr. Chairman, the Transition Act, among other things, authorizes “briefings, workshops, or other activities to acquaint key prospective Presidential appointees” with the problems and challenges facing them in the transition from campaigning to governing. The law includes among these activities interchange with “relevant staff from the General Accounting Office.” We are fully prepared and look forward to filling this role and providing information and perspective to the incoming administration as well as the new Congress. Given the current uncertainty, we stand ready to work with both of the candidates during the transition.

The Transition Act authorizes the Administrator of the General Services Administration (GSA) to provide facilities and services to the President-elect and Vice President-elect during the transition period; and the continuing resolution includes \$7.1 million for GSA to cover expenses necessary to carry out the Transition Act, including providing office space and furnishings, transition staff compensation, and travel expenses. The Transition Act limits expenditure of funds to obligations incurred for authorized purposes during the period from the day after the general election to 30 days after the inauguration (February 19, 2001). As I will discuss later in this statement, given the current extraordinary circumstances surrounding the election, Congress should consider extending the existing time limitation on the obligation of funds under the Transition Act to help mitigate the unforeseen delay in the initial release of public funds. I should also hasten to add that some in the media have confused our role under the Transition Act with that of GSA. We have no role in determining the apparent winner of the presidential election for the purposes of the Transition Act; that is GSA’s responsibility.

Focus on Management Issues Early

Many federal departments and agencies easily rival in size and complexity some of our nation's largest corporations, and it is a truism to note that strong leadership and sound management are central to the effective implementation of any public policy or program agenda. As a result, it is imperative that nominees for senior executive branch positions—especially those who will have major program responsibilities--be selected with due consideration to the leadership and management capabilities and experiences they need to successfully deal with the broad array of complex issues facing the federal government in the 21st century. These challenges and opportunities include, for example, those posed by globalization, new and diffuse security threats, demographic trends, rapid technological innovation, concerns over the quality of life, the shift to a knowledge-based economy, and the need for a greater focus on government performance and accountability for results.

As the next administration grapples with the challenges and opportunities of the 21st century, it also will need to ensure that progress continues to be made in addressing the major management and program weaknesses that impede the performance of federal agencies.¹ Since 1990, we have made a dedicated effort to focus on those federal programs and functions that our work has shown are at high risk to waste, fraud, abuse, and mismanagement. More recently, our Performance and Accountability Series has highlighted the key performance and management challenges facing each major agency.² Overall, agencies are taking these problems seriously and making progress in trying to correct them. Still, when we last reported on our high-risk initiative in 1999, we noted that the high-risk areas span critical government programs and operations from certain benefit programs to large lending operations, major military and civilian agency contracting, and defense infrastructure.³

Consequently, a strong leadership team is absolutely critical to effective governance in the 21st century. Ensuring that political appointees have leadership and management skills will help the new administration implement its programmatic agenda and continue to build the public's confidence in, and respect for, their federal government. Over the long run, consistent attention to management can also help executive branch leaders avoid the distractions of a scandal or major embarrassment that could taint the administration's image and divert time and attention for damage control.

In an important step toward increasing attention to the management abilities of agencies' top leadership teams, Senator Voinovich asked us to develop a list of questions that Senate Committees may want to draw from to help determine the leadership and management experiences and capabilities of political appointees.⁴ These questions cover a range of management functions, including results-oriented management, financial management,

¹ Managing in the New Millennium: Shaping a More Efficient and Effective Government for the 21st Century (GAO/T-OCG-00-9, Mar. 29, 2000).

² Performance and Accountability Series (GAO/OCG-99-22SET, Jan. 1999).

³ High-Risk Series: An Update (GAO/HR-99-1, Jan. 1999).

⁴ Confirmation of Political Appointees: Eliciting Nominees' Views on Leadership and Management Issues (GAO/GGD-00-174, Aug. 11, 2000).

information technology, and human capital management. We believe that asking questions on selected leadership and management issues will send a strong message that the Senate considers such issues to be priorities for all nominees for senior agency positions. Obviously, therefore, these questions will be most useful to the Senate—and the nominee—if they serve as a basis for prompting discussion and are not merely added as yet another questionnaire to what is widely recognized as an overly burdensome paperwork process for nomination.

Once nominees have been confirmed, we have found that the use of performance agreements among officials within agencies can help maintain clarity over the administration's priorities and the results to be achieved.⁵ In essence, these agreements serve as contracts for performance, specifying what will be accomplished, how progress will be measured, and the strategies and resources that will be used. Performance agreements, when linked to the goals and objectives in agencies' strategic and annual performance plans, can therefore be useful vehicles for the political leadership to define accountability for specific goals and help align agencies' daily operations with results-oriented, programmatic goals.

We also will issue the biennial update to our Performance and Accountability and High-Risk Series early next year. This update will discuss progress that has been made over the last 2 years, show where additional actions are needed, and identify new high-risk areas. As we have done in the past, we look forward to working closely with Congress and with executive branch officials to address these areas.

Build on Progress Already Made in Implementing a Management Framework

Over the last decade, Congress and the executive branch have worked hard to implement a statutory framework to improve the performance and accountability of the executive branch and to enhance executive branch and congressional decisionmaking.⁶ This framework includes as its key elements:

- Results-oriented management legislation, especially the Government Performance and Results Act (GPRA), is intended to shift the focus of government decisionmaking, management, and accountability from activities and processes to the results of those activities and processes.
- Financial management reforms, including the Chief Financial Officers Act and related legislation, have established the foundation for the routine generation of accurate, timely, and reliable financial and program cost information. Good financial and program cost data are crucial to informed decisionmaking about programs and operations, including assessing performance results and maintaining stewardship over valuable public resources.
- Information technology reform legislation, including the Paperwork Reduction Act and the Clinger-Cohen Act, attempts to ensure that agencies' information technology projects are

⁵ Managing for Results: Emerging Benefits From Selected Agencies' Use of Performance Agreements (GAO-01-115, Oct. 30, 2000).

⁶ Managing for Results: The Statutory Framework for Performance-Based Management and Accountability (GAO/GGD/AIMD-98-52, Jan. 28, 1998).

implemented within reasonable cost and time frames and that the projects contribute to tangible improvements in performance. Modern information technology management practices can help agencies achieve cost savings, increase productivity, and improve service delivery. Also, the Computer Security Act of 1987, as amended in 1996, and now supplemented by the Government Information Security Act of 2000, addresses the importance of ensuring and improving the security and privacy of sensitive information in federal computer systems.

The last few years, as a result of this framework, have seen substantial progress in establishing the basic infrastructure needed to create high-performing organizations across the federal government. Implemented together, these laws provide a powerful framework for developing and fully integrating information about agencies' missions and strategic priorities, the results-oriented performance goals that flow from those priorities, performance data to show the level of achievement of those goals, and the relationship of information technology investments to the achievement of performance goals—along with reliable and audited financial information about the costs of achieving mission results. This framework is promoting a more results-oriented management and decisionmaking process within both Congress and the executive branch.

Although major parts of the framework are in place, much work remains before it is effectively implemented across the federal government. Agencies are still in the early stages of using this statutory framework to transform their organizational cultures, inform their decisionmaking, improve their performance, and strengthen their accountability. The cultural transformation that these reforms entail is not an easy one for agencies to make, requiring a governmentwide investment of time and resources that should not be underestimated and opportunities for streamlining need to be explored. However, the return on this investment is potentially very great and we must make sure that we do not backslide and lose the current momentum. Moreover, key implementation issues remain, such as the need to integrate performance planning decisions made under GPRA with decisions about agencies' budget, human capital, and other and resource needs. Strong and consistent messages of support from the new administration and continued active support by Congress are critical if these reforms are to be fully and effectively implemented. The reforms, with their focus on accountable, results-oriented management, can help build a government that is better equipped to deliver economical, efficient, and effective programs and services to the American people.

As the framework has evolved over the last decade, the government's human capital management has emerged as the missing link. For the performance management principles embodied in the framework to produce high-performing organizations, agencies must recognize the indispensable role of people in this transformation. We can and should take steps to align our human capital management policies and practices with modern performance management principles. We have issued a self-assessment guide and review of best practices to help guide agencies' efforts in this vital area.⁷

We are pleased that we have had a constructive role in each stage of the development and implementation of this framework. For example, we have issued guidance and best practice

⁷ Human Capital: A Self-Assessment Checklist for Agency Leaders (GAO/OCG-00-14G, Sept. 2000); and Human Capital: Key Principles From Nine Private Sector Organizations (GAO/GGD-00-28, Jan. 31, 2000).

reviews to help agencies effectively implement the framework, have assessed agencies' progress, and have worked with Congress and the executive branch to help ensure that the framework is used as a basis for decisionmaking and oversight.⁸

Construct Organizational Approaches That Recognize the Reality of Changing Global and Technological Dynamics

Virtually all of the results that the federal government strives to achieve require the concerted and coordinated efforts of two or more agencies. This shared responsibility is an outgrowth of several factors, including the piecemeal evolution of federal programs and service delivery efforts and the complexity of public needs that require several agencies to contribute resources and expertise to address these needs. Moreover, given the environment the federal government confronts, effective solutions increasingly are demanding an integrated multidisciplinary approach cutting across traditional programmatic and functional boundaries. However, our work has repeatedly shown that mission fragmentation and program overlap are widespread in the federal government and that crosscutting program efforts are not well coordinated.⁹ Without such coordination, scarce funds are wasted, program customers are confused and frustrated, and the overall effectiveness of the federal effort is undercut.

For example, as we move to a knowledge-based economy, education, job training, and immigration programs must be increasingly closely coordinated, not just among federal agencies, but also between the federal and state and local levels of government. At the same time, the shift to a knowledge-based economy poses human capital challenges for the federal government in attracting and retaining a federal workforce that is sophisticated in using new technologies, flexible, open to continuous learning, and focused on results.

The challenges for coordinating federal efforts posed by globalization are equally daunting. To take just one example, international trade is an area where several federal agencies have responsibility for overseeing the implementation of the nation's trade agreements. The United States has entered into over 400 trade-related agreements since the early 1980s, but we have found that agencies were unable to provide a definite count of trade agreements and their ability to monitor and enforce trade agreements was limited.¹⁰ Agencies lacked sufficient numbers of staff with the right expertise, did not always get needed analytical or other types of support from other agencies, and sometimes had difficulty obtaining balanced, comprehensive input from the private sector. As a result of these problems, U.S. businesses may not have been able to take full

⁸ See, for example, Executive Guide: Effectively Implementing the Government Performance and Results Act (GAO/GGD-96-118, June 1996); Executive Guide: Creating Value Through World-class Financial Management (GAO/AIMD-00-134, April 2000); Standards for Internal Control in the Federal Government (GAO/AIMD-00-21.3.1, Nov. 1999); Executive Guide: Measuring Performance and Demonstrating Results of Information Technology Investments (GAO/AIMD-98-89, Mar. 1998); and Executive Guide: Information Security Management. Learning From Leading Organizations (GAO/AIMD-98-68, May 1998).

⁹ Managing for Results: Barriers to Interagency Coordination (GAO/GGD-00-106, Mar. 29, 2000); and Managing for Results: Using the Results Act to Address Mission Fragmentation and Program Overlap (GAO/AIMD-97-146, Aug. 29, 1997).

¹⁰ International Trade: Strategy Needed to Better Monitor and Enforce Trade Agreements (GAO/NSIAD-00-76, Mar. 14, 2000).

advantage of the benefits secured by trade agreements in accessing foreign markets, and the government might not have been realizing the full benefits of increasing U.S. exports.

Congress and executive branch agencies have employed a number of mechanisms to better coordinate crosscutting programs, including forming coordinating councils. We have seen that such interagency councils are one approach that can help foster communication across the executive branch, build commitment to reform efforts, tap talents that exist within agencies, focus attention on management issues, and initiate improvements. The President's Management Council, which comprises the chief operating officers in each of the major agencies (generally the Deputy Secretary or equivalent), has served as a top-level forum for identifying and addressing crosscutting management issues. The Chief Financial Officers (CFO) Council has had a central role in sharing best practices and expertise among agencies to implement the statutory management framework. Similarly, the Chief Information Officers (CIO) Council provides a forum for senior officials to interact and work toward achieving strategic information technology (IT) performance goals; improving work processes; integrating information technology architecture; and strengthening IT knowledge, skills, and capabilities. Moreover, we believe that the central role that IT must play in improving government efficiency and effectiveness and in streamlining the provision of services to the public dictates the need for a national CIO.

We continue to work with the CFO and CIO councils and various other groups to implement management reforms that enhance government performance and accountability. While the councils serve important roles, they cannot and should not be expected to make up for an absence of OMB leadership. Therefore, it is vital that OMB assert strong leadership over ongoing reforms where it has played a leadership role, such as those concerning financial management, as well as areas that have not received nearly the attention they deserve, such as strategic human capital management.

Seize the Opportunity to Reassess What Government Does and How It Does It

As we inaugurate the first administration of the 21st century, the federal government is poised to address long-standing challenges to program performance and service delivery. As a result of the end of the Cold War and the projected budget surpluses, we are transitioning into a period with different security concerns from those of the past and an improved financial position relatively free of the deficit constraints of the recent past. This provides an opportunity to rise out of the 1-, 3-, or 5-year budget horizons of recent deficit debates and focus on broader issues of what government does and how it does it. At the same time, the reform agenda established during the 1990s is beginning to bear fruit and presents a window of opportunity to address chronic performance shortfalls and excessive costs and to improve the public's trust and confidence in their government. Our work has shown that progress is being made, but it will only be through the continued attention of Congress, the administration, and federal agencies that such progress can be sustained and, more importantly, accelerated. On the basis of actions taken to date and our work over many years, we have identified four themes to frame future efforts during this transition period:

- Attack activities at risk of fraud, waste, abuse, and mismanagement: One of the most fundamental elements of accountability is to ensure that the operations of the federal government are performed economically, efficiently, and legally. Unfortunately, despite years of effort, many federal programs remain at high risk to waste, fraud, abuse and mismanagement. Our work has assessed some of the highest risk programs and activities and identified some of the basic causes for this risk.
- Improve the efficiency and effectiveness of federal operations: In many cases, the activities and strategies of today's federal programs are decades old or more, notwithstanding dramatic changes in the environment these programs operate in. Continued attention to consolidating and increasing coordination of programs with similar objectives and target populations, reengineering processes, applying market-based models and pricing, and integrating performance measurement into daily program management are techniques that can and have been effective.
- Comprehensively reassess what the federal government does: Periodically reassessing federal programs to ensure their continued relevance, appropriateness, and effectiveness shouldn't be seen as threatening or insulting; in fact, in a time of surplus and in light of the impending demographic "tidal wave", it is entirely appropriate and prudent to do so.
- Redefine the beneficiaries of federal government programs: All programs are designed on the basis of an initial perception of need and/or eligibility. To better reflect changing conditions and to target limited resources, periodic review of intended beneficiaries is necessary.

Make Decisions With an Eye Toward Known Long-term Fiscal and Policy Challenges

Our federal government has gone from annual budget deficits to annual budget surpluses in a remarkably short period, principally due to a burgeoning economy and difficult decisions by Congress and several administrations to control spending. The last decade has seen a shift from the highest deficits in our nation's history to forecasted surpluses "as far as the eye can see." But this picture of fiscal good fortune masks two important cautions:

- The composition of federal spending is changing. The share of federal spending devoted to health programs and Social Security continues to grow, while the share of spending for all other federal missions and activities—from defense and law enforcement to education and natural resources—continues to decrease. Our long-term budget simulations suggest that if only the Social Security surpluses are saved and no changes are made in our health and retirement programs, deficits will re-emerge due to demographics trends in our nation. These simulations illustrate that under this scenario, health and Social Security spending will consume nearly three-quarters of total federal revenue in 2030, dramatically reducing our budget flexibility to meet other needs.
- Current forecasts do not recognize the full impact of looming fiscal pressures. Significant costs arising from environmental clean-up of past federal operations, future claims on federal insurance programs, and demands to modernize the physical infrastructure of the nation are only beginning to be understood and recognized. Our future budgetary flexibility, and the

sustainability of current surplus forecasts, will again be challenged, as the budgetary implication of these long-term commitments becomes clearer.

Today's surplus represents both an opportunity and an obligation. Although real and projected surpluses can offer an opportunity to address today's unmet needs, our work suggests that we should not forget the federal government's stewardship responsibility to reduce the nation's debt, ensure that future commitments are both adequate and affordable, increase budgetary choices for future generations, and provide a strong foundation for future economic growth.

Implementing the Transition Act

We are very pleased to have a role in supporting the objectives of the Transition Act, and we are ready to participate in discussions with key potential nominees. We appreciate this recognition from Congress that we should be engaged to help provide a balanced and useful perspective about federal operations to incoming government officials. During previous transitions, we have found that the opportunity to begin a dialog early in the administration helps to provide continuity and increase the ability to move forward expeditiously to meet the challenges and opportunities that lie ahead.

We are developing packages of information, both in print and on the Internet, for prospective agency heads and other key executive branch officials to provide an overview of the issues we see at each agency, as well as important governmentwide management issues. All of this information is based on publicly available information that we have prepared on the basis of our work for Congress. The packages also provide information about GAO and show how we can help agencies become high-performing organizations. We will continue to coordinate with GSA to participate in any orientations of nominees that it may convene and conduct.

The Transition Act gives GSA's Administrator the discretion to determine who the "apparent successful candidates" are for purposes of providing transition services and facilities to the President-elect and Vice-President-elect. Because of the numerous disputes surrounding the certification of Florida's electors, the Administrator of GSA decided that the outcome of the election remains "unclear and unapparent," and therefore he has not released transition funds as of December 4, 2000. The Transition Act provides that GSA's Administrator may not expend funds for the provision of services and facilities in connection with any obligations incurred by the President-elect or Vice-President-elect 30 days after the date of the inauguration (February 19, 2001).

Almost 1 month has passed that would otherwise have been dedicated to the orderly transfer of executive power envisioned by the Transition Act. While the Administrator has the discretion to determine the apparent successful candidates, given the purpose of the Transition Act, transition funds should not be unreasonably withheld. The Administrator should have clearly defined, consistently applied, well-documented, and transparent criteria for making this determination. In addition, given the uncertainty and the quickly changing landscape, it is very important that the Administrator continue to closely monitor the situation. No matter when a decision is finally made, some of the intended benefits of the Transition Act—such as to minimize the problems

occasioned by the short time frames for the transition—have been lost as the result of the delay. Accordingly, under these circumstances, Congress should consider modifying the existing limitation on the obligation of funds in the Transition Act to extend the time frames for this unusual circumstance.

Conclusion

We at GAO are ready to continue to assist both Congress and the executive branch in addressing the wide-ranging agenda of important management issues facing the federal government. Our work, including our Performance and Accountability and High-Risk Series, can help form an agenda of key issues as well as potential solutions to improve the performance and accountability of the federal government for the benefit of the American people.